

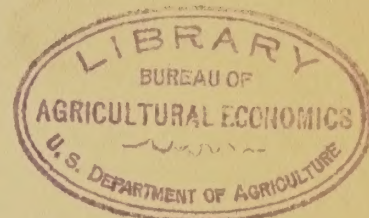
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UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL ADJUSTMENT ADMINISTRATION

September 12, 1933

Letter from S. W. Brookhart making report on the
Soviet Union as a credit risk

Mr. George N. Peek, Administrator,
Agricultural Adjustment Administration,
Washington, D. C.



Dear Mr. Peek:

After further study I desire to make a further report on the Soviet Union as a credit risk. I am quite sure we can sell them most of our agricultural surpluses and many industrial products, if we will extend to them a long time credit. Therefore, the question of their economic ability and moral attitude toward the payment of their debts are important propositions.

Reduced to dollars, they have imported about four and one-half billions for construction and improvement. Upon this they owe less than 400 million dollars, or less than one-tenth of their imports. On the first of July they had a gold reserve of 401 million, 110 thousand dollars, all available for settling international balances. The Soviet Union needs no gold to back its domestic currency. Domestic currency is all in paper money, and its value is fixed by the fixing of wages, fixing of prices of products, rate of profit of the state industries, and the prohibition of both the export and import of paper rubles. For this reason foreign countries have no chance to speculate in Russian paper money, and its value is fixed in relation to the value of labor and of products, leaving all gold available for international balances. They have enough now to more than pay all of their international obligations. This of course does not include the old Czarist and Karensky debts, against which they have a full counter-claim.

In addition to this gold reserve, they have a gold production of about 50 million dollars a year, and are putting in an equipment that will raise that to about 70 million dollars a year in the next two or three years. They are producing more platinum than all the rest of the world, amounting to about 120 thousand troy ounces in 1930. Other articles which they produce for which there is a reliable world market are asbestos, manganese, furs, oil, lumber and pulp wood, and there are many other minor items.

One other very effective method of securing international exchange is the Torgsin stores. These are the best stores in the Soviet Union, selling the best goods and receiving the best prices, but they sell only for foreign moneys. Their own people may purchase with gold rubles, but not with paper rubles. This rule has brought out a lot of gold that was buried during the various revolutions. The amount available for settling foreign balances as the result, is over 50 million dollars a year.

This illustrates the ability of the Soviet Union to pay, and as a moral risk they stand so high that twelve different countries are now guaranteeing the payment for their purchases to the citizens of these respective countries up to 75 per cent of the purchase price, and this guarantee extends over several years of time. These include the big nations of the world like England, France, Italy, and Germany. Under these circumstances it is evident that if the United States wants to get this business, equally good credit conditions will have to be established.

Altogether the Soviet Government has purchased already 690 million dollars in the United States. They have paid for only about one-third of this in exports to the United States, but they paid every bill when due and the balance now is only about 21 million dollars. Most of the firms who sold them these goods have reported to me that they have received their payments in every instance when due. I have similar reports from all the countries where they have purchased goods, and in fact no country has been required to pay anything on its guaranty to its people.

It has been recently reported that the Soviet Government would default on its payments coming due to Germany, but since their gold reserve is 401 million dollars, and these payments only about 100 million dollars, these reports are ridiculous upon their face. I have made further direct investigation and all these German claims will be paid when due.

I have stated that they owe less than one-tenth upon their foreign imports and the same is true upon their domestic construction. They have collected 126 billions rubles in taxes and profits on their State industries. At least 60 billions of this have been invested in construction and development, and they have issued less than 6 billions of bonds against this investment.

Further questions arise, can they have losses on their domestic business like private business have in our country. The answer to this is "No", because the Government fixes the wages of labor, fixes the price of products, fixes and rate of profit, and controls the business throughout. Under these conditions the profits are estimated in advance

and failure is practically impossible. The profits fixed in this way increased from 380 million rubles in 1924, to 17 hundred million rubles in 1930, and they are sure to increase still more rapidly in the future. The reason why this is sure is because of the advance re-investment in producing property referred to above.

I am attaching hereto a statement of gold, platinum, asbestos, manganese, furs, oil, lumber and pulp wood production, together with statement of exports and imports, and also a description of the Torgsin stores.

Very truly yours,

Smith W. Brookhart,
Special Advisor

I. Gold Reserve

On September 1, 1932, the latest data for which official figures have been published here, the gold reserve of the issue department of the State Bank of the Soviet Union, amounted to 714,515,410 rubles (\$367,975,400) at par). This compared with 693,249,050 rubles, (\$357,023,200) on September 1, 1931. According to a statement of the "Montague Weekly Review" of August 3, as quoted by the "Weekly Review of Periodicals" of the Federal Reserve Board, the gold holds of the Soviet State Bank had increased to 779,460,000 gold rubles (\$401,110,000) by July 1, 1933.

II. Gold Production

No official figures on gold production have been published in recent years. However, it has been officially stated by Soviet authorities that the 1932 output exceeded the pre-war level. Production in 1913 totaled 61,000 kilograms, valued at \$40,000,000 (Encyclopedia of Russian exports, Vol. III, page 237). Investments totaling hundreds of millions of dollars have been made in the gold industry during the past few years. The program for the Second Five-Year Plan calls for increasing production sufficiently by 1937 to bring the Soviet Union close to first rank among world gold producers. Since 1927 it has held fourth rank (after South Africa, the United States, and Canada).

III. Platinum Production

The U. S. S. R. ranks first as a producer and exporter of platinum. No official figures on platinum production in the Soviet Union

1. Introduction

The purpose of this study is to investigate the effects of the proposed system on the performance of the system. The study is divided into two main parts: a theoretical analysis and an experimental evaluation. The theoretical analysis is based on the principles of the system and the experimental evaluation is based on the results of the experiments. The results of the experiments show that the proposed system has a significant effect on the performance of the system. The theoretical analysis shows that the proposed system is based on the principles of the system and the experimental evaluation shows that the proposed system has a significant effect on the performance of the system.

2. Theoretical Analysis

The theoretical analysis is based on the principles of the system and the experimental evaluation is based on the results of the experiments. The results of the experiments show that the proposed system has a significant effect on the performance of the system. The theoretical analysis shows that the proposed system is based on the principles of the system and the experimental evaluation shows that the proposed system has a significant effect on the performance of the system. The results of the experiments show that the proposed system has a significant effect on the performance of the system. The theoretical analysis shows that the proposed system is based on the principles of the system and the experimental evaluation shows that the proposed system has a significant effect on the performance of the system.

3. Experimental Evaluation

The experimental evaluation is based on the results of the experiments. The results of the experiments show that the proposed system has a significant effect on the performance of the system. The experimental evaluation shows that the proposed system has a significant effect on the performance of the system.

are available since 1926, when output amounted to 92,700 troy ounces, or 55 per cent of total world production (169,000 oz.). However, according to estimates cited in "Mineral Resources of the United States, 1930", Part I, page 109, production for the years 1928-29 and 1930 amounted to approximately 100,000 and 120,000 troy ounces, respectively, or over half of the estimated world output for those years, which was 192,000 and 230,000 troy ounces ("Mineral Industry during 1931", Vol. XL, p. 438).

IV. Asbestos

The Soviet Union ranks second, after Canada, in the production of asbestos. Total known reserves, as of January 1, 1932, amounted to 9.6 million tons. Data re production and exports are given below (Ency. Soviet Exports, Vol. II, 2nd ed. 1932, pp. 255, 262, and 283; Soviet customs statistics):

	<u>Production</u> (metric tons)	<u>Exports</u>
1909-1913 (aver.)	17,323	11,360
1917	6,316	246
1918	1,472	---
1919	679	---
1920	1,453	---
1921	1,821	3,390
1921-22	3,806	1,811*
1922-23	4,780	2,442
1923-24	8,456	5,634
1924-25	12,330	5,936
1925-26	18,334	7,215
1926-27	21,500	9,945
1927-28	26,410	11,164
1929	39,942	12,603
1930	54,083	15,749
1931	64,674	13,239
1932	---	15,915

* Calendar year 1922

V. Manganese

The U. S. S. R. is the leading producer and exporter of manganese. Its known reserves as of January 1, 1933, totaled 589 million tons, or about two-thirds of the entire world supply (901 million tons). Data re output and exports are given in the table below (Ency. Sov. Exports, Vol. II, 2nd ed. 1932, pp. 167, 174; Soviet customs statistics):

	<u>Production</u> (thous. metric tons)	<u>Exports</u>
1913	1,245	1,194
1917	293	4
1918	126	33
1919	66	--
1920	125	--
1921	12	--
1922	103	38
1923	313	102
1924	459	404*
1925	787	527*
1926	1,134	673*
1927	1,109	783
1928	710	515
1929	1,200	1,057
1930	1,543	754
1931	--	742
1932	--	401

* For fiscal years ending Sept. 30

VI. Furs

The U. S. S. R. is one of the world's leading fur producing and exporting countries. It ranks second, following the United States, in output of furs, producing one-fifth of the world total. It supplies one-fourth of the furs put on the world market, and for many years has been the largest exporter of certain varieties, such as squirrel, white fox, ermine, and Persian lamb.

Data on annual output of furs are not available. Procurement of furs (purchases by state and cooperative organizations) in 1913 amounted to 42.5 million skins, valued at 36 million rubles (Little Soviet Ency., p. 66. Although by 1920-21 fur procurements had fallen to about 15 per cent of the pre-war level, by 1926-27 the pre-war figure had already been doubled. This refers to value; in quantity the increase was not so great, since prices had risen considerably. Since 1926-27 a further growth in procurements of over 70 per cent has been recorded.

Fur Exports
(Ency. Sov. Exports, Vol. I, pp. 494-5; Soviet Customs Statistics)

	<u>Tons</u>	<u>Thous. rubles</u>
1909-1913 (aver.)	12,700	16,550
1922	3,440	5,597
1923	2,407	5,396
1923-24	1,784	18,717
1924-25	2,276	67,833
1925-26	3,413	72,006
1926-27	2,683	80,319
1927-28	3,350	113,376
1929	3,683	106,623
1930	3,155	75,840
1931	2,964	56,199
1922	2,988	41,674

VII. Oil

The U. S. S. R. ranks first in oil resources, possessing over one-fourth of the world supply. It holds second place, after the United States, in both the production and consumption of oil. It is the third largest exporter, following the United States and the Dutch West Indies. So far as European consumption is concerned, it ranks second as a supplier, accounting for about one-fifth of total European

The first part of the paper discusses the importance of maintaining accurate records of all transactions. It is essential for the business to have a clear and concise record of all income and expenses. This will allow the business to track its financial performance over time and identify areas for improvement. The second part of the paper discusses the importance of maintaining accurate records of all assets and liabilities. This will allow the business to track its net worth over time and identify areas for improvement. The third part of the paper discusses the importance of maintaining accurate records of all debts and obligations. This will allow the business to track its financial obligations over time and identify areas for improvement. The fourth part of the paper discusses the importance of maintaining accurate records of all taxes and other legal obligations. This will allow the business to track its financial obligations over time and identify areas for improvement. The fifth part of the paper discusses the importance of maintaining accurate records of all other financial information. This will allow the business to track its financial performance over time and identify areas for improvement.

oil reports. The yearly figures for output and exports are given below (Ency. Sov. Exports, Vol. II, 1932, pp. 39054; Soviet customs statistics):

	<u>Output</u> (in thousand tons)	<u>Exports</u>
1913	9,234.9	947.7
1920-21	3,781.0	--
1921-22	4,590.9	140.5
1922-23	5,188.5	327.0
1923-24	5,957.7	749.5
1924-25	6,986.0	1,377.0
1925-26	8,246.0	1,514.0
1926-27	10,199.0	2,081.0
1927-28	11,642.0	2,787.0
1928-29	13,600.0	3,625.9
1929	14,189.0	3,816.4
1930	18,565.0	4,803.0
1931	23,100.0	5,280.0
1932	22,200.0	6,044.2

VIII. Lumber and Pulpwood

The U. S. S. R. ranks first in resources and output of timber, and second, after Canada, in timber exports. Its forests cover about one-third of the total world forest area; as regards coniferous species, which are of leading importance in the world lumber trade, it possesses nearly one-half. Spruce lumber and pulpwood constitute the principal exports.

Data on total output of the Soviet lumber industry year by year are not available. In 1932 it amounted to 98.5 million cubic meters, as compared with 41.1 million cubic meters in 1927-28 ("The Fulfillment of the First Five-Year Plan", 1933, p. 136). Output of sawn lumber in recent years has been as follows:

(Mill. cu. meters)

1927-28	11.5
1930	21.9
1931	23.6
1932	22.2

Timber Exports

(Ency. Sov. Exports, Vol. II, 1932, pp. 618-622; Soviet Customs statistics)

	<u>Lumber, sawn</u> (thous. cub. meters)	<u>Pulpwood</u>	<u>Total</u> (incl. all other timber exports)
1913 (terr. of Tsarist Empire)	7,653.4	2,835.4	16,365.3
1913 (terr. of U.S.S.R.)	5,414.1	1,722.2	10,357.9
1921-22	600.2	2.0	753.8
1922-23	945.4	187.3	1,753.7
1923-24	1,760.8	474.7	3,584.7
1924-25	1,986.1	462.4	3,926.7
1925-26	1,657.6	540.0	3,311.8
1926-27	2,220.5	521.1	4,114.3
1927-28	2,377.1	887.2	5,024.9
1928-29	3,966.0	1,889.8	8,135.6
1930	4,515.0	2,959.0	12,197.0
1931	4,488.0	2,174.0	9,926.0
1932	4,273.0	1,891.0	9,030.0

Soviet Exports 1921-1932(1)
(Budish and Shipmen - "Soviet Foreign Trade; Menace or Promise".
p. 135; Soviet Customs Statistics).

(in thousand dollars) (2)

1921	10,394
1922	42,002
1923	105,912
1923-24 (3)	190,302
1924-25	296,302
1925	284,669
1926	325,655
1927	326,780
1928	411,743
1929	475,705
1930	533,731
1931	417,773
1932	290,400
1933, 6 mos.	115,565
1932, 6 mos.	141,597

- (1) Exports during the years 1917-1920 were negligible, on account of the civil war and intervention.
- (2) Converted from rubles, with dollar at par (1 ruble = \$0,5146)
- (3) Fiscal year, ending September 30.

Note:

For the first six months of 1933 imports into the Soviet Union amounted to \$98,244,000. Thus, the favorable trade balance for the first six months of this year amounted to \$17,321,000.

Soviet Exports, by Principal Commodities
(Ency. Sov. Exports, Vol. I, pp. 496-7; Nat. Econ. of U.S.S.R.
Handbook, 1933, pp. 388-9; Soviet customs statistics)

	<u>1922</u>	<u>1923</u>	<u>1923-24</u>	<u>1924-25</u>	<u>1925-26</u>	<u>1926-27</u>
		(in thousand rubles)				
<u>Industrial:</u>						
Timber	15,151	25,724	63,941	70,203	60,981	79,777
Oil	11,389	16,844	44,278	66,612	75,969	89,213
Manganese	453	1,246	5,940	17,891	21,285	24,090+
Asbestos	254	550	789	1,460	1,705	2,533+
Coal	72	--	907	4,159	5,630	4,990
Cotton Cloth	791	184	650	5,214	14,726	20,919

Agricultural

Furs	5,597	5,396	18,717	67,833	72,066	86,103
Grain	194	107,316	146,719	52,456	160,103	202,604
Flax and tow	13,801	10,053	10,137	52,446	45,524	19,267
Fish	111	14	3,192	6,682	6,987	4,664
Caviar	925	1,113	2,591	6,743	5,865	3,501

	<u>1928</u>	<u>1929</u>	<u>1930</u>	<u>1931</u>	<u>1932</u>
<u>Industrial</u>					
Timber	106,142	152,509	169,740	113,594	78,471
Oil	115,343	137,942	157,052	115,663	105,285
Manganese	13,781	20,440	12,896	9,774	3,651
Asbestos	3,165	4,571	4,417	2,485	2,299
Coal	5,130	12,396	16,788	14,182	12,228
Cotton Cloth	55,181	43,953	46,645	46,396	49,794

Agricultural

Furs	117,203	106,623	76,840	56,199	41,674
Grain	11,774	23,007	207,068	157,623	56,794
Flax and tow	28,666	49,118	31,646	18,013	20,524
Fish	7,687*	8,208	8,918	10,383	3,701
Caviar	5,828+	8,354	6,487	4,936	2,515

* 1927-28

+ European frontiers only

(Ency. Sov. Exports, Vol. I, p. 493; Nat. Econ. U.S.S.R., 1932, p. 387; Soviet customs statistics)

Soviet Exports, by Principal Countries

	France	Germany	Great Britain	Italy	Latavia	Persia	United States
			(in thousand rubles)				
1922	368	14,749	25,177	1,352	10,502	1,216	2
1923	6,837	61,518	33,922	6,621	23,890	---	1,524
1923-24	15,276	66,440	80,725	15,264	37,312	7,506	7,184
1924-25	22,133	87,382	190,895	15,433	62,744	28,607	28,355
1925-26	39,752	111,618	194,050	33,481	63,540	35,129	30,666
1926-27	54,101	169,114	198,612	37,657	57,412	43,276	23,207
1928	44,155	188,907	163,170	26,171	76,375	76,982	30,737
1929	42,543	215,126	202,568	32,874	78,013	69,624	42,571
1930	44,146	205,702	279,909	53,150	52,297	60,284	40,932
1931	28,330	129,338	266,071	39,749	27,810	32,476	22,690
1932	28,536	98,061	134,311	26,012	9,623	25,368	17,014
1933, 6 mos.	12,166	47,835	31,773	11,295	1,842	5,325	5,420
1932, 6 mos.	12,528	51,740	65,305	11,472	8,486	14,472	7,129

IX. Torgsin Stores

Receipts from Torgsin stores, which will sell only for foreign currency or precious metals, have been increasing rapidly. In the current year it is estimated that they will exceed \$50,000,000. Similarly, considerable sums come in from the tourist trade and remittances. It is estimated that 10,000 tourists visited the U. S. S. R. in 1932.

X. Foreign Obligations of the Soviet Union

So far as foreign trade is concerned, the Soviet Union now has a substantial favorable balance. Whereas in the first nine months of 1932 the unfavorable balance amounted to \$72,077,200, * in the nine months from October 1, 1932, to June 30, 1933, the favorable balance amounted to \$21,025,000. *

The Amtorg Trading Corporation has also reduced its indebtedness in this country very substantially in the past two years. Whereas, in the fall of 1931 its obligations to American firms totaled \$66,000,000, by August 1, 1933, these had been reduced to \$21,000,000.

*Converting rubles to dollars at par (1 ruble equals \$0.5146)

